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July 16 2009

VIA HAND DELIVERY

Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
PO Drawer 11649
Columbia, SC 29211

Re: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New Communications Online And Long Distance LLC and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certifications
Docket No. 2009-220-C

Dear Mr. Terreni:

On behalf of Verizon Enterprise Solutions, enclosed please find the original and one copy of direct testimony in connection with the above matter. Please return a clocked copy to my courier.

If you should have any questions, please do not hesitate to contact me.

Sincerely,


C. Jo Anne Wessinger Hill

JWH/kjt

Enclosures

cc: Stan Bugner
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Kevin Saville, Esq.
Nanette S. Edwards
C. Dukes Scott
Terrance A. Spann
M John Bowen, Jr.
Margaret M. Fox
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OK D. Duke
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STATE OF SOUTH CAROLINA

(Caption of Case)

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 220 - CJoint Application of Frontier Communications
Corporation, New Communications of the Carolinas,
Inc., New CommunicationsOnline, and Long
Distance LLC and Verizon Enterprise Solutions LLC
for Approval of the Sale of Assets and the Transfer of
Authority and Certificates

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☒ Other: Direct Testimony of Timothy McCallion

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input checked="" type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
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<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
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<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-220-C

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COMMISSION
JAN 14 2010

IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New Communications Online, and Long Distance, LLC, and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

**DIRECT TESTIMONY OF
TIMOTHY MCCALLION**

Introduction

Q. Please state your name, title and business address.

A. My name is Timothy McCallion. I am President of the West Region for Verizon Communications. My business address is 112 Lakeview Canyon Road, Thousand Oaks, California 91362.

Q. Please describe your educational and professional background.

A. I have a master's degree in business administration and a bachelor's degree in business management from Gannon University. During my 33 year career with Verizon, I have held a variety of management positions located in California, Hawaii, Indiana, Connecticut, Ohio and Pennsylvania.

1 **Q. Please describe your current duties for Verizon.**

2 A. I was named West Region President for Verizon in July 2000. My current duties include
3 serving as President of Verizon Northwest, Verizon West Coast, and Verizon California.
4 I am responsible for Verizon's corporate interests including regulatory affairs,
5 community relations, and government affairs in the States of California, Washington,
6 Oregon, Alaska, Arizona, Colorado, Hawaii, Idaho, Iowa, Minnesota, Montana,
7 Nebraska, Nevada, North Dakota, South Dakota, Utah and Wyoming. In addition to my
8 duties with Verizon, I am actively involved with a number of community-based and
9 business organizations.

10
11 **Q. On whose behalf are you offering testimony?**

12 A. My testimony is offered on behalf of New Communications of the Carolinas Inc.
13 ("NewILEC"), New Communications Online and Long Distance Inc. ("NewLD"),
14 Verizon South Inc. ("Verizon South"), Verizon Long Distance LLC ("VLD") and
15 Verizon Enterprise Solutions LLC ("VES"), applicants in this proceeding which, along
16 with Frontier Communications Corporation ("Frontier"), support the Joint Application
17 that is the subject of this docket before the South Carolina Public Service Commission
18 ("Commission"). The Joint Application addresses a series of transactions that will,
19 among other things, result in the transfer of control of Verizon South's incumbent local
20 exchange carrier ("ILEC") operations in South Carolina in their entirety from Verizon
21 South to Frontier (the "Transaction").

1 **Q. Please describe the purpose of your testimony.**

2 A. My testimony describes the mechanics of the Transaction between Verizon
3 Communications Inc. (“Verizon”) and Frontier, including the structure and operation of
4 the affected Verizon and Frontier entities pre- and post-closing. As I discuss below, the
5 essence of the Transaction for South Carolina is that Verizon South’s incumbent local
6 exchange carrier (“ILEC”) operations will be transferred from Verizon South to
7 NewILEC and that certain customers of VLD and VES will be transferred to NewLD.
8 After those transactions are completed, NewILEC and NewLD will be transferred from
9 Verizon to Frontier pursuant to a parent company merger.

10
11 After the transfer, Frontier will have the same tariffs and price lists and will offer
12 substantially the same regulated retail and wholesale services under the same rates, terms,
13 and conditions that are offered at the time of closing. Moreover, post-closing Frontier
14 will use substantially the same back-office support and network systems used by Verizon
15 prior to closing – and those systems will be operated by Verizon personnel who will
16 continue as employees of a subsidiary of Frontier after the Transaction. The only
17 significant change customers will experience when the Transaction closes is a name
18 change for their service provider. I understand that Frontier will change the name at
19 closing to Frontier Communications of the Carolinas Inc.

20
21 This smooth transition also holds true for the transfer of presubscribed long distance
22 customers from VLD and VES to Frontier. Frontier has been providing long distance
23 service in South Carolina and most other states for many years through its long distance

1 operating company, Frontier Communications of America, Inc. ("FCA"). The affected
2 long distance customers who reside in the Verizon South's ILEC service areas subject to
3 the Transaction simply will be transferred from VLD and VES to NewLD, a newly
4 established long distance company that will become a subsidiary of Frontier and an
5 affiliate of FCA. All customer transfers will be made in accord with the FCC's and this
6 Commission's rules, and the new long distance company will offer substantially the same
7 services under the same rates, terms, and conditions that exist immediately prior to
8 closing.

9
10 **Q. Is the relief requested in this docket in the public interest?**

11 A. Yes. The Joint Applicants seek the Commission's approval for the transfer of assets from
12 Verizon South to NewILEC (including Verizon South's authorization to provide local
13 exchange service); Verizon South's withdrawal from the market; designation of
14 NewILEC as an ETC; the grant of a certificate of public convenience and necessity to
15 NewLD; and the waiver of the requirements of S.C. Code § 58-3-230 for the transfer of
16 customers from VLD and VES to NewLD. These approvals all relate to an internal
17 reorganization within Verizon before the final transfer of NewILEC and NewLD to
18 Frontier. This internal reorganization is in the public interest because it will have no
19 effect on Verizon's operations and services in South Carolina and will be transparent to
20 customers.

21
22 The transfer of control of NewILEC and NewLD from Verizon to Frontier will take place
23 at the parent company level and therefore Commission approval for this transfer is not

1 required. Nonetheless, this aspect of the Transaction also is in the public interest. As
2 Frontier's Chief Operating Officer ("COO") Daniel McCarthy explains in detail in his
3 testimony, the South Carolina consumers in the service areas to be acquired by Frontier
4 will join consumers across Frontier's territories and become a key strategic focus of
5 Frontier. Frontier is a wireline communications company dedicated primarily to serving
6 rural, suburban and smaller urban service areas, where it has a proven track record of
7 success. This Transaction will allow Frontier to build on that success over much broader
8 areas and generate substantial public interest benefits.

9
10 Mr. McCarthy also explains that the Transaction will promote broadband deployment and
11 investment in the more rural areas of the territory Frontier is acquiring in South Carolina,
12 a subject that is outside the jurisdiction of – but of significant interest to – the
13 Commission. Moreover, the Transaction will leave Frontier with a strong financial
14 structure and will not result in any competitive harm. Frontier does not currently serve
15 any local exchanges in South Carolina, so Frontier and Verizon do not compete for local
16 exchange customers in any of the affected exchanges. As a result, the Transaction will
17 not reduce the number of competitors.

18
19 **Summary of the Transaction**

20 **Q. Why did Verizon decide to transfer its operations in South Carolina and other states**
21 **to Frontier?**

22 A. Several months ago, Frontier approached Verizon and expressed interest in acquiring the
23 access lines that are the subject of the Application. In May, the parties reached

1 agreement to transfer Verizon's entire ILEC operations and certain long distance
2 customers to Frontier in thirteen states, plus certain operations in a small portion of
3 California. The states are: Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North
4 Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia, Wisconsin, and a
5 small number of access lines in California near the Arizona, Nevada, and Oregon borders.

6
7 The proposed Transaction with Frontier will allow Verizon to focus on its ILEC, global
8 IP and wireless operations in its remaining states, which consist primarily of high-density
9 urban and suburban service areas. Furthermore, this Transaction will be a good one for
10 customers. Frontier is an excellent company that specializes in providing high-quality
11 telecommunications, broadband and video services to rural, suburban and smaller city
12 service areas. And as I discuss later in my testimony, Verizon and Frontier have
13 completed many successful transactions over the years. Between 1993 and 2000,
14 Verizon's predecessor company GTE transferred more than 750,000 total access lines to
15 Frontier and its predecessors in eleven states. Moreover, as Frontier COO Daniel
16 McCarthy explains in his testimony, after this transaction Frontier will be an even
17 stronger company.

18
19 **The Proposed Transaction**

20 **Q. Please provide an overview of the proposed Transaction between Verizon and**
21 **Frontier.**

22 **A.** On May 13, 2009, Frontier, Verizon and New Communications Holdings Inc. ("NCH")
23 entered into an Agreement and Plan of Merger (the "Merger Agreement") under which

1 Frontier, by issuing its stock in exchange for NCH stock held by Verizon shareholders,
2 will acquire control of approximately 4.8 million access lines (and certain related assets)
3 currently owned by subsidiaries of Verizon in the states listed above. The Merger
4 Agreement is attached to the Joint Application as Exhibit 1. On the same date, Verizon
5 and NCH entered into a Distribution Agreement (attached as Exhibit 2 to the
6 Application).

7
8 The Merger Agreement and Distribution Agreement are designed to: (a) establish a
9 separate entity (*i.e.*, NCH) as the holding company for Verizon's local exchange, long
10 distance and related business activities in the acquired areas; (b) spin off the stock of that
11 new entity to Verizon shareholders; and then (c) immediately merge the new entity into
12 Frontier. More specifically, the Transaction will be completed through several steps:

13 a. NCH, which has already been formed as a subsidiary of Verizon, will serve as the
14 holding company for the local exchange, long distance and related businesses in
15 South Carolina and the other affected states that are being transferred to Frontier.
16 As part of the transactions described below, NCH will be merged into Frontier.
17 Frontier will be the surviving entity, and will then own and control the Verizon
18 assets being transferred to it through the Transaction at issue here.

19
20 b. NCH has two newly formed subsidiaries: (a) New Communications ILEC
21 Holdings Inc. ("NCIH"), which will own the stock of NewILEC; and (b) New
22 Communications Online and Long Distance Inc. ("NewLD"), which will hold the
23 accounts receivables, liabilities, and customer relationships related to long

1 distance operations (and other operations) in the service territories of NCIH in
2 South Carolina and the other affected states.

3
4 c. Through a series of intra-corporate stock transfers, the stock of NewILEC will be
5 transferred to NCIH.¹ Similarly, VLD and VES will transfer their accounts
6 receivables and customer relationships related to their long distance operations in
7 South Carolina and the other affected states to NewLD.²

8
9 d. The stock of NCH will then be distributed to Verizon shareholders – that is, NCH
10 will be “spun off” from Verizon to Verizon’s shareholders, and will be a separate
11 corporation from Verizon. Immediately following this spin-off, NCH will be
12 merged into Frontier, and Frontier will be the surviving holding company,
13 operating under its existing name and corporate structure, but also owning all of
14 the stock of NCH’s subsidiaries, NCIH and NewLD. Pursuant to this merger,
15 Verizon shareholders will receive Frontier stock in exchange for their NCH stock.
16 Once the merger is completed, NCH will cease to exist; thus, NCIH and NewLD
17 will be direct subsidiaries of Frontier, and Verizon South will be an indirect
18 subsidiary.

¹ The assets and business to be transferred to NCIH (as well as the assets and business that are not being transferred) are more fully described in the Distribution Agreement between Verizon and NCH. See Exhibit 2 to the Application.

² In addition to acquiring Verizon’s regulated local exchange and long distance business in the affected states, Frontier also will acquire certain unregulated businesses, including high speed Internet and, where provided, wireline video and broadband data (e.g., Verizon FiOS) services provided in these states.

1 At the completion of the Transaction, NewILEC will be a wholly-owned, indirect
2 subsidiary of Frontier (albeit with a different name) and will continue to provide local
3 exchange service in the territory it serves today. Frontier also will own and control
4 NewLD, which will provide long distance services in South Carolina.

5
6 **Q. What regulatory authority will the Commission have over NewILEC and NewLD**
7 **after the Transaction is completed?**

8 A. Upon completion of the Transaction, the Commission will retain the same regulatory
9 authority over the provision of regulated services by NewILEC and NewLD that the
10 Commission possessed over Verizon South, VLD and VES prior to the consummation of
11 the Transaction.

12
13 As noted, upon closing, Frontier will change the names of NewILEC and NewLD and it
14 will make all necessary filings to accomplish the name changes. Any subsequent service
15 or price changes will need to be made in accordance with all applicable laws, rules and
16 Commission orders.

17
18 **The Transaction in South Carolina**

19 **Q. Please identify the affected Verizon companies that operate in South Carolina today,**
20 **and then identify the companies that will operate in South Carolina post-merger.**

1 A. Today, Verizon has three companies operating in South Carolina involved in this
2 transaction: Verizon South, VLD, and VES.³ Verizon South is an ILEC that serves
3 approximately 128,000 access lines in a total of 38 South Carolina exchanges, all of
4 which will be transferred to Frontier. VLD and VES are long distance companies.
5 Together, they will transfer approximately 60,000 lines in South Carolina to Frontier.

6
7 After the Transaction is completed, NewILEC will operate as an ILEC and NewLD will
8 provide long distance services, both as subsidiaries of Frontier. VLD and VES will
9 continue to operate in South Carolina as Verizon companies, providing certain long
10 distance services to customers on lines that will be served by local carriers other than
11 Frontier. They also will continue to offer all the long distance services in the areas in
12 which they currently operate. So, for example, if VLD transfers one of its customers to
13 NewLD as part of the Transaction, that customer may elect to return to VLD. The
14 parties' agreements do *not* contain a "non-compete" clause.

15
16 **Effect of Transaction on Customers**

17 **Q. What effect will this transaction have on Verizon's retail customers in South**
18 **Carolina?**

19 A. Our customers – both local and long distance customers – will be unaffected. After the
20 Transaction, NewILEC and NewLD (as subsidiaries of Frontier) will have the same
21 tariffs and price lists and will offer substantially the same regulated intrastate retail

³ Verizon has other affiliates operating in South Carolina that are not part of the Transaction. For example, Verizon Select Services Inc. operates in South Carolina, but it is not part of this transaction. My testimony addresses only those Verizon companies that are affected by the Transaction and over which the Commission has jurisdiction.

1 services under the same rates, terms, and conditions that will exist prior to closing.
2 Moreover, as I discuss later in my testimony, post-closing Frontier will use substantially
3 the same operational support and network systems used by Verizon prior to closing to
4 serve its South Carolina customers – and Frontier will be able to validate, prior to
5 closing, that those systems have been replicated properly. In short, the Transaction will
6 be smooth and transparent to Verizon’s customers.

7
8 In addition, as Frontier COO McCarthy describes in his testimony, South Carolina
9 customers also can look forward to expanded services from the Frontier companies.

10
11 **Q. How will the regulated intrastate retail services that Verizon South, VLD or VES**
12 **provide at closing be affected by the Transaction?**

13 A. NewILEC (as a subsidiary of Frontier) will have the same tariffs and price lists and will
14 offer substantially the same regulated retail and wholesale services under the same rates,
15 terms, and conditions that are offered by Verizon South at the time of closing. As
16 NewILEC and NewLD will simply be taking over the tariffs of Verizon South, VLD and
17 VES, any changes Frontier would make to service offerings would have to follow South
18 Carolina laws and Commission rules.

19
20 **Q. What effect will this transaction have on Verizon South’s wholesale customers?**

21 A. Existing Verizon South interconnection agreements and commercial wholesale
22 agreements will remain in place. NewILEC (as a Frontier subsidiary) will assume or
23 honor these agreements. In addition, Verizon South’s wholesale tariffs in South Carolina

1 will remain in place. Moreover, wholesale customers will be able to continue to place
2 orders post-closing using substantially the same systems used by Verizon South prior to
3 closing.

4
5 **Management and Day-to-Day Operations**

6 **Q. Before the Transaction is completed, how will Verizon South be managed and**
7 **operated?**

8 A. To facilitate a smooth transition, and as described in more detail below, Verizon created a
9 “North Central Area” that includes Verizon South. From a customer perspective,
10 Verizon South will be managed and operated on a “business as usual” basis.

11
12 **Q. After the Transaction is completed, who will manage NewILEC and NewLD?**

13 A. As explained in Mr. McCarthy’s testimony, Frontier and its operating companies are
14 managed by an experienced group of executives, including Maggie Wilderotter,
15 Chairman and Chief Executive Officer, Don Shassian, Chief Financial Officer, and Mr.
16 McCarthy. These executives will continue to lead Frontier after the Transaction is
17 completed, and so will manage NewILEC and NewLD. Most of the Verizon employees
18 who today are involved in the day-to-day provisioning and maintenance of service to
19 customers of Verizon South will become Frontier employees upon closing of the
20 transaction.

21
22 **Q. What steps will Verizon and Frontier take before the Transaction is completed to**
23 **ensure a smooth transition?**

1 A. First, as noted above, Verizon has already created NCH and its subsidiaries, NCIH and
2 NewLD. But it also has created a new organization, the “North Central Area,” which is
3 responsible for sales, service and network operations activities of the ILECs and ILEC
4 assets being transferred to Frontier. This organization is devoted exclusively to the ILEC
5 operations in the affected states. The North Central Area (or “Area”) is an operating
6 region within Verizon today.

7
8 Before Verizon created the North Central Area, it had four different Area organizations
9 that were responsible for different states. For example, the Mid-Atlantic Area was
10 responsible for Maryland, Virginia, West Virginia and the District of Columbia. The
11 South/West Area was responsible for, among other states, South Carolina, North
12 Carolina, and Florida. Verizon realized that this transaction could be accomplished more
13 smoothly by reorganizing its operations and creating a new area – the North Central Area
14 – devoted exclusively to the affected states. This new Area is in place today; it has
15 already assumed and is performing many of the functions described above. By creating
16 this new Area, we have put in place an operation that allows for a smooth transition.

17
18 **Q. Will Verizon and Frontier take any other steps before the Transaction is completed**
19 **to ensure a smooth transition?**

20 A. Yes. Verizon and Frontier will work together to effectuate the smooth transition of all
21 aspects of the Transaction, including billing, customer account systems, and plant record
22 systems. Importantly, as discussed below, after the closing Frontier will use substantially

1 the same operational support systems used by Verizon prior to closing to serve its
2 customers in South Carolina. No system development is required in South Carolina.

3
4 **The Transition of Verizon's Systems to Frontier**

5 **Q. Please describe the back office systems that Verizon South currently uses.**

6 A. Verizon South is one of a number of Verizon companies that were formerly part of GTE
7 Corporation ("GTE").⁴ As such, Verizon South continues to use the centralized computer
8 systems that Verizon obtained from GTE as modified and improved since the closing of
9 that transaction. These systems are used to run essential aspects of the business, such as
10 retail ordering and billing, CLEC ordering and billing, network monitoring and
11 maintenance, and all customer support functions and are battle-tested. Rather than merge
12 the systems of its GTE companies with other Verizon systems, Verizon runs its GTE
13 systems separately. Of the local wireline companies in the 14 states that are part of the
14 Transaction with Frontier, all but one are former GTE entities (like Verizon South).⁵

15
16 **Q. What systems realignment will Verizon undertake prior to closing?**

17 A. The North Central Area will utilize a substantial replica of the existing centralized GTE
18 systems that are used by Verizon to operate the former GTE assets that Verizon is
19 transferring to Frontier, including those of Verizon South.

20

⁴ Verizon was created in 2000 when Bell Atlantic, primarily an RBOC operating on the East coast, merged with GTE, which operated numerous smaller telephone companies across the country.

⁵ The exception is Verizon West Virginia, a former Bell Atlantic company.

1 **Q. Will Frontier have the ability to validate that the systems are working properly**
2 **prior to closing?**

3 A. Yes. First, Verizon will coordinate with Frontier as Verizon undertakes the process of
4 replicating its existing systems. Verizon is required to keep Frontier updated, engage in
5 ongoing discussions regarding the process, and grant Frontier reasonable rights of access.
6 Moreover, Frontier will be able to validate and confirm that the principal operating
7 systems have been replicated properly in advance of closing.

8
9 **Q. Will there be any overlap between the systems that remain with Verizon and those**
10 **that serve the areas Frontier is acquiring?**

11 A. No. There are a few states other than South Carolina (Florida, California, and Texas)
12 where Verizon will continue to own former GTE companies, and those operations will
13 continue to use systems substantially similar to the ones Frontier is acquiring. But the
14 systems Verizon keeps for its own use will be separate from those dedicated to the
15 companies Frontier is acquiring. After closing, the customer records and information for
16 customers located in South Carolina will be maintained on Frontier's systems, which will
17 be maintained independently from the systems Verizon retains and utilizes to provide
18 services in other states. Also, the parties have agreed that if all the necessary hardware
19 cannot be procured and installed in the Frontier data center by closing, it will be made
20 available from Verizon or a Verizon subsidiary following the closing to allow for
21 transition, and such hardware shall thereafter be transferred to Frontier's data center.

1 **Q. What systems will be used to manage wholesale and CLEC relationships?**

2 A. The Frontier data center will control a majority of the systems needed to successfully
3 operate the GTE assets that are being transferred, including those necessary to manage
4 wholesale and CLEC relationships. Thus, for example, wholesale customers – including
5 competitors – in these states will not have to process orders in a different manner nor
6 have their existing OSS arrangements disrupted.

7
8 **Q. Have Verizon and Frontier designed the systems transition process so that there are**
9 **no operational disruptions?**

10 A. Yes. As described above, upon closing Frontier will use substantially replicated versions
11 of the operational systems – ordering, billing, etc. – that Verizon uses to provide service
12 in South Carolina. Verizon will establish these systems prior to closing, and Frontier will
13 provision and bill services on these tested systems. In other words, Frontier will take
14 over those existing functional systems. Frontier will then have the option to use these
15 tested systems for as long as it wishes, and over time can consider on a system-by-system
16 basis which systems it may want to merge with its existing operations, and when. To
17 further ensure a smooth transition, Verizon will continue to provide system support for at
18 least a year after close, and Frontier may elect to continue to take some or all of the
19 support from Verizon after the first year.

20
21 **Q. How is this transition different from a “cutover” to systems that have been**
22 **specifically developed in response to acquiring the properties?**

1 A. In situations where the wireline assets to be transferred are operated with systems that
2 remain with the transferor, it is often necessary to develop new, or substantially modify
3 existing, systems and then perform a complex cutover and have the acquirer assume
4 responsibilities for operating the network using its new or modified systems. This
5 scenario does not exist in South Carolina because Frontier will be using substantially the
6 same systems used by Verizon South prior to closing, and will have the advantage of
7 employees experienced with those systems who will continue with the business.

8
9 **Q. How will the fact that Frontier is the acquiring company help ensure a smooth**
10 **transition?**

11 A. Frontier is today a leading and respected provider of telecommunications services to
12 rural, suburban and smaller urban service areas across the country. Frontier currently has
13 approximately 2.3 million access lines in 24 states and provides an array of services,
14 including local and long-distance voice, data, Internet and broadband. Thus, Frontier
15 already knows how to successfully run its business, allowing the parties to remain laser-
16 focused on a smooth transition. And as noted above, Frontier will merely take over an
17 existing Verizon area, using the same kinds of systems used in the North Central Area
18 today.

19
20 **Q. Does Frontier have a track record of smooth transitions?**

21 A. Yes. As detailed in the testimony of Mr. McCarthy, Frontier has a highly successful
22 track record of acquiring, operating and investing in telecommunications properties

1 nationally, including over 750,000 access lines it purchased from Verizon/GTE between
2 1993 and 2000.

3
4 **The Public Interest**

5 **Q. Please summarize why the Transaction should be approved by the Commission.**

6 A. As I discussed above, the aspects of the Transaction for which the joint applicants seek
7 approval concern Verizon's internal reorganization, which will have no effect on
8 Verizon's operations or service in South Carolina and will be transparent to customers.
9 Although the transfer of NewILEC and NewLD will take place at the parent company
10 level and therefore does not require Commission approval, that aspect of the Transaction
11 also is in the public interest. The most important reason for that is Frontier. As
12 discussed fully by Frontier COO McCarthy in his testimony, Frontier is a leading and
13 respected provider of telecommunications services to rural, suburban and smaller urban
14 service areas across the country. Frontier and its operating companies are dedicated to
15 providing their customers high quality service at reasonable rates, and have a rich history
16 in serving areas through a local management structure. To ensure that it places the
17 customer first, Frontier has pursued a strategy of focusing on and enhancing its local
18 presence in the communities in which it operates. With this Transaction, the residential
19 and business consumers in the service areas it is acquiring from Verizon will become a
20 key strategic focus for Frontier.

21
22 **Q. Does this conclude your testimony?**

23 A. Yes.

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2009-220-C

IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New CommunicationsOnline, and Long Distance, LLC, and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

CERTIFICATE OF SERVICE

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2009 JUN 16 PM 1:03
S.C. PUBLIC SERVICE COMMISSION

I, the undersigned, an employee of Richardson, Plowden & Robinson, P. A., attorneys for Verizon Enterprise Solutions LLC, do hereby certify that I have served the foregoing Direct Testimony by causing it to be deposited in the U.S. mail, postage prepaid, or by hand delivery, on this 16th day of July, 2009, to the following:

**Nanette S. Edwards,
Chief Counsel and Director of Legal
Services
S.C. Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201**

**Terrance A. Spann
Department of the Army
U.S. Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22202-1837**

**C. Dukes Scott, Executive Director
S.C. Office of Regulatory Staff
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Dated: July 16, 2009